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1. [Posthaste: Office towers struggle for relevancy as workers get comfortable at home - but will the trend last? Companies have other ideas](#)

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Posthaste: Office towers struggle for relevancy as workers get comfortable at home - but will the trend last? Companies have other ideas

National Post (f/k/a The Financial Post) (Canada)

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Web Edition

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Body

Good morning!

Canada's residential property market may be red hot, but the rest of the country's real estate complex is going through a rough patch as the prolonged effect of the coronavirus leaves many workers avoiding the office and hunkering down in their basements, kitchen tables and living rooms.

While the TSX REIT index declined 18 per cent last year, Royal Bank of Canada expects a better performance from the segment this year on the back of vaccine rollouts and undervaluations - but the segment will remain weak and will test the patience of investors.

A new survey by RBC shows real commercial estate lenders remain wary and reluctant to allocate funds to retail and office space this year. Lenders also remain concerned about the prospects of hotels, regional malls and entertainment and food service retail in the near term.

"We expect retail occupancy will continue to slip amid space rationalization and another round of anticipated tenant failures, particularly in 1H/21," RBC said in a report, noting that it prefers commercial properties that have grocers as anchors.

"We believe open-air retail portfolios will continue to demonstrate superior long-term resilience relative to malls, particularly considering higher exposure to vulnerable tenants and mandated near-term closures."

And with another 8.3 million square feet of commercial space expected to come on stream in the key markets of Toronto, Vancouver and Montreal, commercial real estate prices should remain capped in the medium term.

"We forecast 2021 national average net rent growth of -5 per cent, using our base-case outlook for office demand and supply," RBC analysts Pamir Bir, Niki Shi and Matt Logan wrote in a report. "Regionally, we expect 2021 rents to exhibit greater resiliency in Central Canada (down 2-4 per cent) vs. Western Canada (down 4-7 per cent)."

The bank also expects vacancy rates in commercial space to remain high in 2021, as workers continue to work from home.

National vacancy rates rose to 11.1 per cent in the third quarter, driven mostly by central markets, while suburban markets' vacancy rates also shot up.

"Still, Vancouver (5.2 per cent), Toronto (7.3 per cent), and Ottawa (8.1 per cent) remain at landlord-favourable levels. Montreal is weaker (10.7 per cent), but conditions remain weakest in Calgary (23.8 per cent) and Edmonton (17.8 per cent)."

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There is also a disconnect emerging between companies and staff on where most of the work will be done in the future - and that would have a direct impact on the future prospects of Canada's commercial real estate sector.

"Work-life balance (72 per cent) has overtaken salary (69 per cent) as the most important priority post pandemic," RBC said in its survey. As many as 57 per cent of the respondents said that "reducing the home-work commute, and to work/live locally" was one of their top priorities regarding work, up from 26 per cent prior to the pandemic.

But the office still remains the heart of work activity in the minds of employers.

"While 63 per cent of workers would prefer to continue working remotely or use a hybrid model post pandemic, 80 per cent of Canadian companies believe that remote work is either not relevant to the business or they are unlikely to offer remote work options," the RBC survey noted.

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LINING UP: A Native American environmental activist dances with an eagle feather in front of the construction site for the Line 3 oil pipeline near Palisade, Minnesota on January 9, 2021. Line 3 is an oilsands pipeline which runs from Hardisty, Alberta, Canada to Superior, Wisconsin in the United States. In 2014, a new route for the Line 3 pipeline was proposed to allow an increased volume of oil to be transported daily. While that project has been approved in Canada, Wisconsin, and North Dakota, it has sparked continued resistance from ***climate justice*** groups and Native American communities in Minnesota. While many people are concerned about potential oil spills along Line 3, some Native American communities in Minnesota have opposed the project on the basis of treaty rights. Photo by Kerem Yucel / AFP

Bank of Canada to release its Business Outlook Survey and Survey of Consumer Expectations for the fourth quarter

Bank CEOs will speak at RBC Capital Markets 2021 Canadian Bank CEO conference. Speakers include RBC CEO Dave McKay, BMO CEO Darryl White, CIBC president and CEO Victor Dodig, TD Bank Group CEO Bharat Masrani, National Bank president and CEO Louis Vachon, Scotiabank president and CEO Brian Porter, and Laurentian Bank CEO Rania Llewellyn

The Canadian Radio-television and Telecommunications Commission will hold a virtual hearing commencing on Jan. 11. During this hearing, the CRTC will consider the applications by the Canadian Broadcasting Corporation/Societe Radio-Canada to renew its licences

The Green Party of Canada will host a virtual town hall discussion featuring party leader Annamie Paul, MP Elizabeth May (Saanich-Gulf Islands) and Dr. David Suzuki

Democrats eye fast Trump impeachment days before Biden sworn in(<https://nationalpost.com/pmn/news-pmn/crime-pmn/democrats-push-toward-second-trump-impeachment-republican-support-uncertain-2>)

Canadian banks face conundrum: How to spend a spare \$70.4 billion(<https://financialpost.com/news/fp-street/canadian-banks-face-conundrum-how-to-use-a-spare-55-5-billion>)

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Apple, Amazon suspend Parler social network from App Store and web hosting service(
<https://financialpost.com/pmnbusiness-pmn/apple-amazon-suspend-parler-social-network-from-app-store-and-web-hosting-service-2>)

World shares down from record highs as COVID-19 cases top 90 million(<https://financialpost.com/pmnbusiness-pmn/world-shares-down-from-record-highs-as-covid-19-cases-top-90-million>)

Federal government weighs listing Proud Boys as terror group(<https://nationalpost.com/news/canada/federal-government-weighs-listing-proud-boys-as-terrorist-group>)

Social media and free speech: Trump's 'deplatforming' explained(<https://nationalpost.com/news/world/social-media-and-free-speech-trumps-deplatforming-explained>)

When is my shot? What you need to know about the provinces' vaccine roll-out plans(
<https://nationalpost.com/news/when-is-my-shot-what-you-need-to-know-about-the-provinces-vaccine-roll-out-plans>)

TD Bank faces Stanford Ponzi scheme liquidators seeking \$5.5 bln in trial(<https://nationalpost.com/pmnbusiness-pmn/crime-pmn/td-bank-faces-stanford-ponzi-scheme-liquidators-seeking-5-5-bln-in-trial>)

Quebec's Bitfarms rallies as Bitcoin soars, but concerns grow over cryptominers' massive electricity needs(
<https://financialpost.com/technology/quebecs-bitfarms-rallies-as-bitcoin-soars-but-concerns-grow-over-cryptominers-massive-electricity-needs>)

David Clement: How West Virginia, one of America's poorest and most rural states, became a leader in rolling out the COVID-19 vaccine(<https://financialpost.com/opinion/david-clement-how-west-virginia-one-of-americas-poorest-and-most-rural-states-became-a-leader-in-rolling-out-the-covid-19-vaccine>)

Bitcoin's biggest plunge since March shakes faith in crypto boom(<https://financialpost.com/technology/bitcoins-biggest-plunge-since-march-shakes-faith-in-crypto-boom>)

The second wave of COVID-19 has been chipping away at Canada's economic rebound for months, but it finally overpowered the labour market's recovery in December, ending the country's 2020 on a sour note that may linger for some time.

Statistics Canada said Friday that the economy shed approximately 63,000 jobs in December, a worse-than-expected loss and the first decline in overall employment since April. Canada's unemployment rate rose as well last month, to 8.6 per cent, up from 8.5 per cent in November, writes Geoff Zochodne.(
<https://financialpost.com/news/economy/jobs-picture-turns-negative-and-theres-more-bad-news-to-come-economists-warn>)

If you've been scraping by this entire pandemic or if you've built up a healthy savings account and want to figure out how to spend some of it responsibly, you need a budgeting tool you can rely on.

Our content partner StackCommerce(<https://financialpost.com/personal-finance/business-essentials/what-to-consider-when-budgeting-for-the-new-year-amidst-the-pandemic>) believes Emma Personal Finance and Budgeting App will help you take control of your finances. Emma is a money management and budgeting tool that helps you connect all your accounts, avoid overdrafts, cancel wasteful subscriptions, track debt, and save money. Using cutting-edge technology, this app analyzes your finances and gives you the ability to make smarter decisions with your finances.

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Today's Posthaste was written by Yadullah Hussain(yhussain@postmedia.com) (@Yad_Fpenergy(http://twitter.com/YAD_fpenergy)), with files from The Canadian Press, Thomson Reuters and Bloomberg.

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Industry: OFFICE PROPERTY (92%); REAL ESTATE (92%); COMMERCIAL PROPERTY (90%); COMMERCIAL RENTAL PROPERTY (90%); HOUSING MARKET (90%); PROPERTY PRICES (90%); REAL ESTATE INVESTING (90%); REAL ESTATE MARKET (90%); RENTAL PROPERTY (90%); RESIDENTIAL PROPERTY (90%); RETAIL & WHOLESALE TRADE (90%); RETAIL PROPERTY (90%); COMMERCIAL PROPERTY VACANCY RATES (89%); RESIDENTIAL PROPERTY VACANCY RATES (89%); BANKING & FINANCE (78%); REAL ESTATE INVESTMENT TRUSTS (78%); VACCINES (78%); SHOPPING CENTERS & MALLS (74%); REAL ESTATE VALUATIONS (73%); HOTELS & MOTELS (72%); CENTRAL BANKS (71%); INVESTMENT TRUSTS (71%); GROCERY STORES & SUPERMARKETS (70%)

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